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SUBJECT: APPROVED BUT AUSTERE UNODC BUDGET PREVENTS UNODC FROM
HONORING UN COMMITMENTS ON DRUGS, CRIME, CORRUPTION AND TERRORISM,
COSTA SAYS

REF: UNVIE 386

¶1. SUMMARY: In a starkly worded assessment, Executive Director Antonio Costa indicated that the UN Office on Drugs and Crime (UNODC) cannot honor the UN's commitments to fight drug control, crime, corruption and terrorism -- together forming one of the Secretary General's eight priorities for 2010-2011 -- under the newly approved 2010-2011 budget. In his address to the December 1-4 Reconvened Sessions of UNODC's governing bodies, the UN Commissions on Narcotic Drugs (CND) and Crime Prevention and Criminal Justice (CCPCJ), Costa called Member State attention to the increasing financial difficulties faced by the UN entity which serves as the primary guardian of the UN's conventions against organized crime, corruption, drugs and international terrorism. The U.S. delegation (USDEL), led by UNVIE DCM and INL's John Sullivan, noted UNODC's financial situation and its formulation of an austere budget and cost-cutting measures, and showcased continued U.S. commitment to the provision of voluntary contributions to support the work of UNODC, particularly since UNODC's overall budget is slated to decrease by seven percent in the coming biennium. USDEL partnered with EU Member States to reestablish the Independent Evaluation Unit (IEU), which UNODC had proposed to merge with its Strategic Planning Unit (SPU). Instead, USDEL and other partners requested that UNODC house the IEU within the Office of the Executive Director, rather than with another entity of UNODC, in order to be consistent with UN evaluation practices. UNODC agreed to reallocate existing UN Regular Budget resources to fund the Chief of the IEU. Voluntary resources will be used to finance additional IEU staffing requirements and operational activities. END SUMMARY.

COMPOSITION
OF USDEL

¶2. UNVIE DCM and INL John Sullivan led USDEL to the Reconvened Sessions of the CND and CCPCJ. The following officials also comprised USDEL: UNVIE John Brandolino, INL Christine Cline, UNVIE Adam Davis and INL Cassandra Stuart.

COSTA: MISMATCH BETWEEN HIGH
PRIORITIES AND LOW FUNDING
CREATES BUDGET SHORTFALLS

¶3. UNODC Executive Director Antonio Maria Costa delivered opening remarks before the Reconvened Sessions, revisiting the financial difficulties of the past two years while foreshadowing the burgeoning financial crisis facing UNODC in 2010-2011. Costa lamented that while the world places ever greater priority on addressing the destabilizing effects drugs, crime, corruption and terrorism has on economies, societies and security, member states, are not adequately funding UNODC. Costa reported that despite the fact that the Secretary-General's strategic framework for the period 2010-2011 identified drug control, crime prevention and combating terrorism as one of the eight priorities of the UN, UNODC's budget will shrink by seven percent in the biennium 2010-2011.

14. Specifically, voluntary contributions for UNODC core activities are anticipated to fall by more than 25 percent, from 30 million USD in 2008-2009 to approximately 22 million USD in 2010-2011. Highlighting the eight million USD decline in General Purpose funds, Costa declared that this 28 percent hit would have a disproportionate effect on UNODC's ability to support, backstop and otherwise manage the project-money used in the field. Costa estimated that contributions to UNODC for project activities will also fall from 408 million USD in 2008-2009 to 376 million USD in 2010-2011 -- a decline of almost 10 percent. Due to this decline in funding, UNODC anticipates a negative impact on the delivery of its program work and has undertaken austerity measures, which include limiting staff contracts. Finally, Costa announced that UNODC will continue to receive only 1 percent of overall UN Regular Budget resources, despite the political support it receives from a broad spectrum of Member States. The meagerness of UNODC's UN regular budget share is illustrated, Costa asserted, by the fact that the 40 million USD decline in project-fund contributions is almost commensurate with the entire regular budget line of the UNODC.

15. As a result of these cuts, staff morale has declined. To demonstrate this impact, Costa introduced Mr. Stefano Berterame, the UN Office in Vienna (UNOV) Staff Council President (employee association). Mr. Berterame emphasized that staff retention will be difficult with the increasing lack of job security felt by many UNODC staff members. Thus far, UNODC has cut at least 29 positions from its headquarters in Vienna and in offices around the world, and closed or reduced the size of technical assistance offices in the field. These cost-cutting measures are not final, and more staff cuts could occur in the future. (COMMENT: This was the first time that the UNOV Staff Council President had addressed the UNODC governing bodies. His statement gave a personal face to the

declining budget numbers and confirm anecdotal indications of low staff morale within UNODC. END COMMENT.)

16. Costa concluded that UNODC has sought, and implemented, cost-cutting measures across the board, as well as efficiency gains from more strategic and prioritized programming. The office continues to strengthen partnerships with members of the UN family and regional organizations in order to provide more effective assistance and more sustainably share costs. But, Costa concluded, UNODC is nevertheless left with an intractable dichotomy: ever increasing international attention to the danger of drugs, crime and corruption (not to mention terrorism) which translates into more and more mandates from Member States, with decreasing voluntary contributions and a static share of the UN Regular Budget. Thus, Costa starkly concluded, the UNODC cannot honor the UN's commitments to combat drug control, crime and terrorism prevention.

2010-2011 BUDGET
APPROVED

17. Member States of the CND and CCPCJ approved the UNODC consolidated budget for the biennium 2010-2011. The budget contains resource projections for the Fund of the UN International Drug Control Program in the amount of 273 million USD, which represents a decline from 312 million USD (12.5 percent) for the biennium 2008-2009. Projections for the UN Crime Prevention and Criminal Justice Fund stand at 152 million, which represents a decline from 153 million USD for the biennium 2008-2009. Overall staffing for UNODC will also decline from 196 posts to 170 posts for the drug program and from 60 posts to 51 posts for the crime program (representing an overall shrinkage of 13.6 percent). USDEL noted Costa's stark assessment of the budget, expressed appreciation for Costa's efforts at economy and pledged continued U.S. commitment to the provision of voluntary funding to support the work of UNODC, particularly in the form of unearmarked or soft earmarked contributions in order to maintain UNODC's ability to execute its core technical assistance programs.

US AND EU PULL
TRIGGER ON
CREATING INDEPENDENT

EVALUATION

18. USDEL partnered with EU Member States, notably Sweden and the Netherlands, in order to re-establish the Independent Evaluation Unit (IEU), which since its creation in 2003, has served as the unit focused on assessing the impact of UNODC programs. UNODC, as a result of the financial crises of the past two years, had proposed to merge the IEU with its Strategic Planning Unit (SPU) (in charge of project and program monitoring) as a cost saving measure. However, this initiative was bitterly opposed by the EU, Norway and Switzerland. Therefore, USDEL and other partners requested that UNODC house the IEU separately from the SPU and within the Office of the Executive Director, rather than in UNODC's organizational structure, in order to be consistent with UN evaluation practices.

19. UNODC also agreed to reallocate existing UN Regular Budget resources to fund the Chief of the IEU. Voluntary resources will be used to finance additional IEU staffing requirements and operational activities, which total 1.560 million USD for 2010-2011. UNODC indicates that it currently has 739,000 USD available but will require the remaining fund balance in order to ensure an effective IEU for the coming biennium. To this end, the UK made an announcement that it would provide 100,000 Pounds Sterling (approximately 160,000 USD) toward the work of the IEU. Additional EU and Norwegian contributions are anticipated.

10. The reconvened CND wrapped up with a short pro-forma event where Iranian Ambassador Soltaniyeh was acclaimed as the next CND Chairman. As agreed by IO and INL, the USDEL was represented for the session only by a second secretary.

COMMENT

11. While the reconvened sessions of the CND and CCPCJ did not delve into substantive counter-drug and anti-crime issues, the debate highlighted the detrimental impact that budget declines could have on UNODC's ability to continue delivering effective technical assistance in these areas. The re-establishment of the IEU could provide a more systematic means to review and assess the organization's continued ability to deliver assistance. At the same time, it will be important for the United States to maintain and hopefully increase the amount of general purpose and soft earmarked contributions provided to UNODC in order to build a stable and predictable operating base. We should also consider whether providing the UNODC just one percent of the UN's Regular Budget

resources is the best way to advance our anti-drug, terrorism, corruption and crime interests. Mission continues to believe that a U.S. reevaluation of the UNODC's Regular Budget share is appropriate, and we would welcome IO and USUN advice about the advisability of such action. While Mission recognizes that such a change in U.S. policy may present opportunity costs elsewhere, and defer to our New York colleagues on this issue, Mission believes that UNODC's ability to deliver results on important USG priorities such as anti-crime and corruption treaty implementation, and stemming the flow of Afghan heroin, will be jeopardized if we cannot overcome the contradiction Costa highlighted between UNODC's mission and resources (reftel). In order to help UNODC effectively deliver the kind of normative and technical assistance that we have come to expect, Mission encourages Washington to continue its reevaluation of the manner and extent of our political and financial support. UNVIE, meanwhile, will continue preaching the gospel of streamlining, delaying, and priority setting among UNODC's diverse programs. END COMMENT

DAVIES